



June 26, 1996

Secretary
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JUN 27 1996
FED LIT

Re: In the Matter of Implementation of the Pay Telephone Reclassification
and Compensation Provisions of the Telecommunications Act of 1996,
CC Docket No. 96-128

DOCKET FILE COPY ORIGINAL

Dear Sir:

Enclosed for filing in the above-referenced proceeding are the original
and fourteen copies of the Comments of Scherers Communications Group,
Inc. I have provided the additional copies for each of the Commissioners to
receive a personal copy. The Common Carrier Bureau, Enforcement Division,
was also provided two copies along with the electronic version on disk.

I have also enclosed an additional copy with a self-addressed, stamped
envelop. Please place your file mark on this extra copy and return it to me via
the envelope.

If you have any questions regarding this filing, please feel free to
contact me at the telephone number listed above. Thank you for your
assistance and cooperation.

Sincerely,

Susan Drombetta
Manager, Rates and Tariffs

enclosure

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

FEDERAL COMMUNICATIONS COMMISSION
JUN 21 1996
FCC MAIL ROOM

In the Matter of)
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Implementation of the)
Pay Telephone Reclassification)
and Compensation Provisions of the)
Telecommunications Act of 1996)

CC Docket No. 96-128

COMMENTS OF SCHERERS COMMUNICATIONS GROUP, INC.,
REGARDING THE IMPLEMENTATION OF THE PAY TELEPHONE
PROVISIONS OF THE TELECOMMUNICATIONS ACT OF 1996

I. Introduction

1. On June 6, 1996, the Federal Communications Commission (Commission) issued CC Docket 96-128, Notice of Proposed Rulemaking (Notice), to obtain comments and gather information regarding the pay telephone provisions of the Telecommunications Act of 1996 (Act). In its Notice, the Commission seeks comments on proposed rules that would allow for "(1) compensation for each and every completed intrastate and interstate call using [a] payphone'[:] (2) termination of all subsidies for LEC payphones, including 'access charge payphone services elements[:]' (3) prescription of nonstructural safeguards for Bell Operating Company (BOC) payphones; (4) promulgation of rules permitting the BOCs to negotiate with the payphone location provider about a payphone's presubscribed interLATA carrier, unless the Commission finds that such negotiations are 'not in the public interest;' (5) promulgation of rules permitting all payphone providers to negotiate with the location

provider about a payphone's presubscribed intraLATA carrier; and (6) establishment of a class of public interest payphones to be located where there would otherwise not be a payphone[.]”¹ These objectives were set pursuant to the new regulations established in the Act.² These regulations were established to provide more equitable compensation for about 20% of the current payphones (those owned by private payphone owners or PPOs).

II. Background

2. Scherers Communications Group, Inc. (SCG), is an interexchange carrier, offering long distance service throughout the United States. These services, which include both Outbound Long Distance and 800 Call Transport, are offered through the resale of services provided by other major carriers. SCG also utilizes 800 Call Transport to provision its other services (Personal Voice Messaging and Multiple Location Call Redirection). Therefore, SCG qualifies as both an interexchange carrier and an end user customer, with interest and knowledge in this matter. SCG wishes to address only the issues related to the compensation for use of pay telephones.

III. Comments

3. In its Notice, the Commission has concluded that the Act instructs the Commission to prescribe compensation in cases in which Payphone Providers are not already fairly compensated.³ In addition, the Notice states a tentative conclusion that Commission

¹ See Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Notice of Proposed Rulemaking, FCC No. 96-254, CC Docket No. 96-128 (Released June 6, 1996) (Notice)

² See 47 U.S.C. § 276 (a) and (b) (Act)

³ See Notice at III (A) (2)[2]

jurisdiction in this matter should be extended to international calls as well as interstate and intrastate calls.⁴ SCG believes that the Commission is exceeding its authority by assuming that the same regulations should apply to international calls. The Act specifically orders that "all payphone providers are fairly compensated for each and every completed intrastate and interstate call using their payphone..."⁵ Therefore, any orders resulting from this Notice should apply only to interstate and intrastate calls.

4. Before compensation plans can be implemented, payphone providers must be prepared to eliminate barriers that were developed to prevent dial-around situations. Many providers have eliminated alpha letters from key pads in an effort to discourage the dialing of vanity or easy to remember toll free numbers. In addition, Dual Tone Multi-Frequency (DTMF) tones have been manipulated to prevent the dialing of toll free numbers. The Commission has already determined that letterless keypads are violations.⁶ Therefore, these inconsistencies must be eliminated before any compensation can take place. In addition, time limitations have been placed upon calls made from some payphones (for example, calls are cut off at five minutes in duration). These must also be eliminated if the payphone providers wish to receive compensation. Although we understand the position of payphone providers who wish to be paid for use of their telephones, these tactics present barriers to the access of the public switched network. Regulations should be developed to ban letterless keypads, time restrictions, and restricted or modified DTMF tones from all payphones. Use of these barriers by a payphone provider should result in both punitive fines as well as the disconnection of all instruments until the required correction is made.

5. SCG believes that the most efficient and cost effective means for payphone providers to be reimbursed for the use of their telephone instruments is the collection of a per use fee

⁴ See Notice at III (A) (2)[4]

⁵ See Act, Section 276 (b)(1)[A]

⁶ See Notice at III (G) (2) [3]

from the end user/caller. If the Commission orders a payment method as proposed in the Notice⁷, the cost in terms of time and resources would be devastating to all but the largest carriers. Establishing a "carrier pays" mechanism would only "build on existing procedures"⁸ for the three carriers that are currently using this method for non-presubscribed operator services calls. All other carriers would be required to do the following to implement the Commission's order:

- 1) Develop methods to identify all pay telephones across the United States and match them with their respective owners.
- 2) Establish tracking methods to determine calls made from each pay telephone.
- 3) Create reporting format to accompany payments.
- 4) Establish methods and procedures to handle disputes of information by payphone providers.

With the exception of major carriers, all carriers responsible for providing this detail will be placed under a severe financial strain. Rather than encouraging competition, the Commission would be establishing additional financial barriers to both new entrants and existing members of the industry.

6. The Commission has also failed to consider the resale market, where the carrier could be one of many companies providing service. In the case of resale, would the underlying carrier be responsible for payment of the charges or would the actual provider to the end user customer be held responsible? If the underlying carrier is responsible, there is no mechanism in place to recoup these charges from either the actual service provider or the end user customer, because services are offered through the use of contracts, which do not cover these proposed costs. If the actual service provider is responsible, methods and

⁷ See Notice at III (A) (b) (5)

⁸ Id.

procedures must then be developed by both companies, the underlying carrier and the provider, in order to track the charges properly. In any event, the cost of administering this mandate would be too prohibitive for most smaller companies to continue.

7. In no other situation is a payee held responsible for preparing his own invoice. Therefore, we find the above option to be unreasonable and unrealistic. A more reasonable option for "carrier pays" is the billing of access charges by the payphone providers themselves or through an agent. This method is comparable to the billing done by local exchange providers for access to the interexchange carriers' networks. With the requirement that local exchange providers provide payphone providers with central office coin services⁹, all pay telephones, both smart and dumb, will have the ability to secure call detail information. This information can be provided to a third party biller for invoicing to the appropriate carrier. We have made inquiries of a billing company to confirm the feasibility of this recommendation, and they have responded in a positive manner. (See Exhibit 1) This method would move the responsibility for tracking and billing back to the actual provider of service, the payphone provider. Although this would eliminate some of the costly mechanisms required if carriers are ordered to provide their own billing information, some of the same problems still exist. Tracking mechanisms must still be developed by carriers to determine if billing media is accurate and billed properly. In addition, each payphone provider must be prepared to send call detail information to the biller in order to substantiate the charges. Finally, the question of the entity responsible for the charges has still not been answered. In the case of 800 or other toll free numbers, the assignment of responsibility becomes even more difficult, since many providers often utilize several carriers for transport and often contract with another entity to provide responsible organization (Resp Org) duties. Since the SMS\800 database provides only the information on Resp Org identity, charges may be billed to the wrong entity.

⁹ Notice at III (B)

8. The use of an end user/caller pays option is the most efficient means of allocating and billing the costs appropriately. Billing can be done at the payphone without the necessity of costly tracking and billing mechanisms. The actual cost of invoicing a small access fee would be overwhelmed by the associated costs of billing for it. Therefore, the elimination of the need to prepare an invoice for the charges would once again reduce the cost of access on a pay telephone to a reasonable amount. In addition, the payphone providers would once again have control over the use of their pay telephones. They would also be provided with instant compensation for the use of their telephone, without the lengthy period necessary for tracking and billing of "carrier pays" charges.

9. In its Notice, the Commission states that "TOCSIA expressly prohibits the Commission from adopting compensation rules for interstate access code calls that require advance payment by consumers."¹⁰ The actual wording of the United States Code reads, "Each aggregator...shall - (B) ensure that each of its telephones presubscribed to a provider of operator services allows the consumer to use '800' and '950' access code numbers to obtain access to the provider of operator services desired by the consumer; and (C) ensure that no charge by the aggregator to the consumer for using an '800' or '950' access code number, or any other access code number, is greater than the amount the aggregator charges for calls placed using the presubscribed provider of operator services."¹¹ At no point does the Code state that it "expressly prohibits the Commission from adopting compensation rules for interstate access code calls that require advance payment by consumers."¹² The Act states that the Commission shall "ensure that all payphone providers are fairly compensated for each and every completed intrastate and interstate call using their payphone, except that emergency calls and telecommunications relay service calls for

¹⁰ See Notice at III (A) (2) (b) [4]

¹¹ See United States Code, Title 47, Chapter 5, Subchapter II § 226 (c) (1) [B] and [C]

¹² See Notice at III (A) (2) (b) [4]

hearing disabled individuals shall not be subject to such compensation..."¹³ Rather than conflict, these two regulations specify only that a caller cannot be blocked from an access code and should not pay more for a call through a non-presubscribed carrier than a presubscribed carrier. This discrepancy can be eliminated by simply requiring that all calls, with the exception of emergency and relay service calls, should require a tariffed charge for access to the public switched network through the pay telephone. In this way, both regulations would be satisfied without cumbersome procedures and requirements.

10. The Commission also seeks comments regarding 1) how the Commission should exercise jurisdiction under Section 276,¹⁴ and 2) whether a nationwide local coin rate should be imposed.¹⁵ First of all, the Commission would best be able to exercise its jurisdiction with an order requiring that all regulations of Section 276 be implemented by state commissions within the time parameters shown in the Act. These mandates are best handled through the state commissions for two reasons. First of all, the callers would be charged for local access into the public switched network. These charges are clearly within the jurisdiction of the local state commissions. Secondly, the rates should be set according to local costs for access. The range in costs to provide service vary widely from state to state. Therefore, the public interest would be better served by regulatory oversight for the geographic area involved rather than a nationwide rate.

¹³ See Act, Section 276 (b) (1) [A]

¹⁴ See Notice at III (A) (2) (a) [6]

¹⁵ See Notice at III (A) (2) (a) [7]

IV. Summary

1. SCG believes that the method of payphone compensation that would be most efficient and in the public interest would be a per call fee, established by the individual state commissions and paid by the end user/caller. This method would allow for immediate compensation of the payphone providers without the cumbersome tracking and invoicing that would be required if a "carrier pays" mechanism is adopted with either the carriers or the payphone providers providing billing. In addition, it would not be necessary to address the question of which carrier is responsible for payment in a resale situation. As stated earlier, this method is not prohibited by TOCSIA and does conform to the goals of the Telecommunications Act of 1996.

2. In the event that the Commission orders "carrier pays" compensation, SCG believes that the payphone provider must be responsible for tracking and invoicing the compensation charges. It is not practical or reasonable for the payee of any charge to be held responsible for the cost of collecting revenues for another entity providing the service. These duties are better handled by a third party biller which can provide the billing service, as demonstrated in the exhibit provided by SCG. Nonetheless, tracking should still be handled by provider of service not by the recipient

3. SCG also agrees that LEC owned payphones should be reclassified as CPE, with central office coin services offered on a tariffed basis to all payphone providers. Should the Commission order a "carrier pays" method with the payphone providers responsible for tracking and invoicing, the central office services will be necessary for accurate and complete billing. In addition, the public interest would be better served if all public payphones have the physical capability of offering the same quality of service.

Scherers Communications Group, Inc.
June 27, 1996

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Susan Drombetta", with a long horizontal flourish extending to the right.

Susan Drombetta
Manager, Rates and Tariffs
Scherers Communications Group, Inc.
575 Scherers Court
Worthington OH 43085
(614) 841-2421

Dated: June 26, 1996

Exhibit I
Proposal for Pay Telephone Compensation
(Administration and Control Process)

Submitted By: Integretel, Incorporated
San Jose, CA
June 27, 1996

Introduction

This proposal is being presented to outline a feasible solution for implementing compensation to payphone companies for calls made to subscriber 800 and other "toll-free" numbers ("Compensation"). The primary objective of this proposal is place control of the Compensation in the hands of the payphone companies.

Background

Integretel, Incorporated ("IGT") has been operating since 1988 as a billing company or clearinghouse for telecommunications companies including pay telephone providers. IGT maintains billing agreements with substantially all local exchange carriers ("LEC's") and processes millions of telephone calls monthly in order to provide to the LEC's the necessary call data for billing and collection from the end-users. The company provides an accounts receivable management function on behalf of several hundred telephone service providers resulting in an "economy of scale" for the billing and collection process.

As an integral part of its service, IGT has developed significant expertise in call record processing along with tracking and settlement of customers funds through an aggregated billing mechanism. This process could be easily adapted to provide a means for payphone customers to bill and collect their Compensation from the carriers. This method would be economical for the payphone providers, because of the high aggregation potential, while providing auditable data for the carriers to support the invoiced amount.

Overview of Compensation Method

The steps necessary for this process can be summarized as follows:

- 1) Calls subject to Compensation would be recorded by the payphone company or on their behalf by the LEC's central office. This step would require adopting the Commissions proposed rules requiring LEC's to offer certain central office functions on a non-discriminatory basis. In order to distinguish completed calls from attempts, answer supervision must be provided to the payphone equipment when calls are recorded there.

- 2) The payphone provider would submit its recorded calls to a billing company, such as IGT, that is capable of processing the calls and invoicing the applicable carriers. Call records would be submitted in formats consistent with operator service type calls requiring no software development.
- 3) IGT has developed a method, using on-line LIDB access, to determine the underlying carrier of an 800 call including variations, if any, by originating LATA. This information would be gathered for each call record allowing the data to be sorted and summarized.
- 4) IGT would then distribute to each carrier an invoice along with all support data necessary for the carrier to verify the accuracy of the charge. Existing edit and process controls would be utilized.
- 5) IGT would provide a full customer support function to handle any carrier disputed charges and distribute such disputed records back to the originating payphone provider.
- 6) Collected invoice amounts would be remitted back to the payphone provider and could even be financed by the billing company to assist with cash flow constraints.

Conclusion

IGT believes that the technology currently exists, subject to certain rules proposed by the Commission, for the payphone companies to initiate their own Compensation invoices. Such a process can be done at a reasonable cost and already has competitive forces in effect. More importantly, it places control of the charge in the hands of the party whose product is being utilized which has significant benefits in accountability.